

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 HEW-04 AGRE-00

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R 031836Z DEC 76
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 2497
INFO ALL EC CAPITALS 2820
AMEMBASSY TOKYO
USMISSION GENEVA
USDEL MTN GENEVA
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: ETRD, EE, JA
SUBJECT: COMMISSION DEBRIEFING ON EC-JAPAN TRADE QUESTIONS

1. US OFFICIALS, LED BY ALAN WOLFF OF STR, MET WITH COMMISSION OFFICIALS ON DECEMBER 2 TO RECEIVE DEBRIEFING ON THE CURRENT STATE OF EC-JAPAN TRADE RELATIONS AND THE SPECIFIC CONTENT OF THE RECENT ROUND OF BILATERAL TALKS, EXCEPT FOR STEEL WHICH WAS DEALT WITH IN SEPARATE MEETINGS AND IS BEING REPORTEDLY SEPARATELY. PRINCIPAL COMMISSION SPOKESMAN WAS HORST KRENZLER, DIRECTOR FOR FAR EASTERN AFFAIRS IN DG-I. LESLIE FIELDING AND OTHER DG-I OFFICIALS ALSO PARTICIPATED.

2. KRENZLER BEGAN WITH A PRODUCT-BY-PRODUCT LISTING OF COMMUNITY REQUESTS AND JAPANESE RESPONSES. HE MADE IT CLEAR THAT THIS BRIEFING INCLUDED ALL ITEMS CONTAINED IN THE OFFICIAL EC-JAPAN HIGH-LEVEL TALKS OF NOVEMBER 15-16. A SUMMAR OF THE EXCHANGE ON EACH ITEMS FOLLOWS:

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(A) AUTOMOBILES. KRENZLER SAID THAT THERE IS AN AGREEMENT ACCEPTING THE TESTING OF EUROPEAN AUTOMOBILES IN EUROPE BEGINNING APRIL 1, 1977. HE SAID THAT THE JAPANESE WILL MAKE A ONE-TIME INSPECTION TO VERIFY THAT THEY CAN ACCEPT EUROPEAN TESTING FACILITIES FOR WHAT THEY TERM QUANTIFIABLE FEATURES, AND WILL STATION SEVERAL JAPANESE TECHNICIANS HERE TO EXAMINE AUTOMOBILES FOR CERTAIN NON-QUANTIFIABLE FEATURES. THE DISTINCTION BETWEEN WHAT IS QUANTIFIABLE OR NON-QUANTIFIABLE REMAINS TO BE NEGOTIATED. JAPAN ALSO AGREED TO DELAY FOR ONE YEAR THE APPLICATION OF THE 1978 NOX STANDARDS ON IMPORTED AUTOMOBILES. UNDER SHARP QUESTIONING FROM US PARTICIPANTS, KRENZLER MAINTAINED HIS DENIAL THAT THE QUESTION OF RESTRICTION OF AUTOMOBILE IMPORTS INTO THE EC HAD BEEN RAISED OFFICIALLY BY THE COMMISSION. FIELDING EVENTUALLY ADMITTED THAT THE SUBJECT HAD COME UP INFORMALLY DURING A LUNCH BETWEEN COMMISSIONER GUNDELACH AND DEPUTY FOREIGN MINISTER YOSHINO DURING THE HIGH-LEVEL TALKS. HOWEVER, THE COMMISSION OFFICIALS WERE FIRM IN STATING THAT THE COMMISSION WAS NOT INVOLVED AND HAD NOT PROPOSED ANY SELF-RESTRAINT PROGRAM, HAD NO MANDATE FROM MEMBER STATES ALONG THESE LINES, BUT INDICATED THAT THE INDUSTRIES CONCERNED WERE REPORTEDLY TRYING TO WORK OUT SOME TYPE OF VOLUNTARY RESTRAINT ARRANGEMENT.

(B) PHARMACEUTICAL PRODUCTS. THE JAPANESE HAVE NOW INDICATED THAT THEY CAN ACCEPT EUROPEAN TESTS FOR PHARMACEUTICAL PRODUCTS. BOTH SIDES HAVE AGREED TO CONTINUE TO TRY TO RESOLVE OTHER OUTSTANDING TECHNICAL PROBLEMS.

(C) EC FOOD EXPORTS. KRENZLER SAID THAT THE JAPANESE HAVE MADE SOME "VERY MINOR" CONCESSIONS ON COMMUNITY REQUESTS FOR GREATER MARKET ACCESS ON SUCH THINGS AS MILK PRODUCTS, CANNED MEATS, ALCOHOLIC BEVERAGES AND TOBACCO. THESE CONSIST IN A 100 PERCENT INCREASE OF THE JAPANESE GLOBAL QUOTA ON SKIM MILK POWDER, A GENERAL COMMITMENT TO INCREASE PURCHASES OF BUTTER AND AN AGREEMENT TO SEND A VETERINARIAN TEAM TO FRANCE TO LIMITED OFFICIAL USE

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LOOK AT THE ANIMAL HEALTH SITUATION THERE. THE JAPANESE HAVE MADE NO FINAL RESPONSE ON TWO MAJOR ITEMS, TOBACCO AND ALCOHOL, BUT INDICATED THEY ENVISAGE DOING SOMETHING TO IMPROVE TOBACCO DISTRIBUTION (PERHAPS AUTHORIZING MORE RETAIL OUTLETS).

(D) SHIPBUILDING. THE JAPANESE HAVE SUGGESTED CONTINUED TALKS IN THE OECD AND HAVE ALSO AGREED TO

FURTHER BILATERAL CONSULTATIONS, PERHAPS EARLY NEXT YEAR OR EVEN SOONER. THEY HAVE NOT AGREED TO COMMUNITY REQUESTS FOR ADDITIONAL PRODUCTION CUTS.

(E) ELECTRONIC EQUIPMENT. SIMILAR TO HIS POSITION ON AUTOMOBILE IMPORTS, KRENZLER MAINTAINED THAT THERE WAS NO OFFICIAL DISCUSSION OF POSSIBLE RESTRAINTS ON IMPORTS OF ELECTRONIC EQUIPMENT INTO THE COMMUNITY. THESE PRODUCTS, PARTICULARLY TV'S, WERE BEING DISCUSSED ON AN INTER-INDUSTRY BASIS. IN ADDITION TO MENTIONING THE UK PROBLEM, KRENZLER NOTED THAT THE EXPORT RESTRAINT UNDERSTANDING WITH JAPAN COVERING THE BENELUX MARKET HAD EXPIRED.

(F) FOOTWEAR AND CUTLERY. THE JAPANESE REJECTED COMMUNITY REQUESTS FOR GREATER ACCESS FOR FOOTWEAR, BUT HAVE NOT YET RESPONDED ON CUTLERY.

(G) BALL BEARINGS. BOTH THE EC AND JAPAN ARE AWAITING THE RESULTS OF THE ANTI-DUMPING INVESTIGATION NOW UNDER WAY. THE EC SIDE INDICATED THAT THEY HAVE NOW INVITED REPRESENTATIVES OF THE JAPANESE INDUSTRY TO COME TO BRUSSELS TO DEFEND THEMSELVES AGAINST THE EC INDUSTRY COMPLAINT. THE EC SIDE NOTED THAT REPORTED INTENTIONS OF THE JAPANESE FIRMS TO RAISE PRICES AS MUCH AS 15 PERCENT WILL NOT SOLVE THE PROBLEM IF THE DUMPING MARGINS OF UP TO 50 PERCENT ALLEGED BY THE COMPLAINANT ARE ACCURATE.

3. THE COMMISSION REPRESENTATIVES MADE IT CLEAR THAT THE EC DID NOT VIEW THE JAPANESE RESPONSE TO DATE AS TOTALLY SATISFACTORY. VERY FEW CONCRETE CONCESSIONS ARE CONTAINED IN THE YOSHINO RESPONSE OF LAST WEEK. THEY INTERPRET THE DECLARATION ADOPTED EARLIER LIMITED OFFICIAL USE

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THIS WEEK BY THE EUROPEAN COUNCIL AS AN INSTRUCTION TO CONTINUE TO SEEK A MORE MEANINGFUL OPENING OF THE JAPANESE MARKET TO EUROPEAN EXPORTS. THE US SIDE ALSO EXPRESSED DISSATISFACTION WITH THE DIFFICULTIES INVOLVED IN INCREASING SALES TO JAPAN BUT NOTED THAT EUROPEAN PRESSURE, IN THE FORM OF BILATERAL EFFORTS TO REDUCE JAPANESE EXPORTS OR OPEN THE JAPANESE MARKET ON A PREFERENTIAL BASIS WOULD CAUSE US SERIOUS DIFFICULTY. THE COMMISSION OFFICIALS INDICATED THAT THEY UNDERSTOOD OUR CONCERN.

4. AT THE END OF THE TWO DAYS OF DISCUSSIONS THE UNITED STATES STATED THAT IT WILL CONSIDER CALLING FOR AN OECD DISCUSSION OF THE RESULTS OF THE JAPANESE EC STEEL TALKS AS WELL AS OTHER APPROPRIATE PRODUCTS

INVOLVED IN THE EC/JAPANESE CONSULTATIONS (POSSIBLY
FOR THE WEEK OF JANUARY 10). BOTH FIELDING AND LOEFF,
ACTING DIRECTOR GENERAL FOR INDUSTRY, QUESTIONED
THE WISDOM OF ASKING FOR MULTILATERAL TALKS ON THE
VAGUE RESULTS OF BILATERAL DISCUSSIONS. THEY FELT
THAT GREATER DANGER TO EVERYONE'S TRADE INTERESTS
WOULD BE CAUSED BY A LARGE AND FORMAL REVIEW THAN
FROM CONTINUING TO PERMIT INFORMAL ARRANGEMENTS. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, TRADE, STEEL, EE, DIPLOMATIC DISCUSSIONS, DEBRIEFINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU11897
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760449-0299
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761276/aaaacnqd.tel
Line Count: 177
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by ShawDG>; APPROVED <06 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMMISSION DEBRIEFING ON EC-JAPAN TRADE QUESTIONS
TAGS: ETRD, JA, (WOLFF, ALAN), (FIELDING, LESLIE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006